

UTAH HOUSING CORPORATION
Minutes of Regular Meeting

October 31, 2013

PARTICIPANTS

Trustees:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee
Lucy Delgadillo, Trustee
Richard Ellis, Trustee
Edward Leary, Trustee
Lerron Little, Trustee
Jon Pierpont, Trustee
Robert Whatcott, Trustee

Staff:

Grant Whitaker, UHC President and CEO
Cleon Butterfield, UHC Senior Vice President and CFO
Jonathan Hanks, UHC Senior Vice President and COO
Chad Moore, Controller
Heather Losee, Executive/Communications Assistant

Guests:

Emma Gilchrist, Deloitte
Greg Dixon, Deloitte

Trustees of the Utah Housing Corporation (UHC or Utah Housing) UHC staff, and guests met in a Regular Meeting on October 31, 2013, at 1:30 PM MDT via teleconference and in person at the offices of Utah Housing Corporation, 2479 S Lake Park Blvd, West Valley City, UT.

The meeting was called to order by Chair, Douglas DeFries. The Chair then determined for the record that a quorum of Trustees was present, as follows:

Douglas DeFries, Chair
Kay Ashton, Vice Chair
Mark Cohen, Trustee
Lucy Delgadillo, Trustee
Richard Ellis, Trustee
Edward Leary, Trustee
Lerron Little, Trustee
Jon Pierpont, Trustee
Robert Whatcott, Trustee

The President then reported that the Notice of the Regular Meeting was given to all Trustees of Utah Housing and that material addressing the agenda items had been distributed to the Trustees in advance of the meeting.

The President then acknowledged a Verification of Giving Notice, evidencing the giving of not less than 24 hours public notice of the date, time, place and summary of agenda of the Utah Housing Corporation Special Meeting in compliance with the requirements of the Open and Public Meetings Act, Section 52-4-202, Utah Code Annotated 1953, as amended; together with the form of Notice of Special Meeting referred to therein; and also the required public notice of the 2013 Annual Meeting Schedule of Utah Housing will be entered into the Minutes.

The Chair called for the first agenda item.

1. Approval of the Minutes of August 13, 2013, Special Meeting

The President had provided each Trustee with a copy of the written minutes of the August 13, 2013, Special Meeting, and the Trustees acknowledged they had sufficient time to review these minutes. Mr. DeFries asked for any discussion on the August 13, 2013, minutes as presented.

Following any discussion, the Chair called for a motion.

**MOTION: TO APPROVE THE WRITTEN MINUTES OF THE
SPECIAL MEETING OF AUGUST 13, 2013.**

Made by: Mark Cohen
Seconded by: Kay Ashton
Vote: Unanimous approval

The Chair called for the next agenda item.

2. Report of Audit Committee; Presentation by Deloitte

Mr. DeFries asked Trustee Bob Whatcott, Chair of the Audit Committee, to begin discussion.

Mr. Whatcott reported that the audit committee, consisting of Ed Leary, Richard Ellis and himself, met with Deloitte just before the Board Meeting. Deloitte was represented by Emma Gilchrist and Greg Dixon. Staff members present included Grant Whitaker, Cleon Butterfield, Chad Moore, Barbara Allred and Jonathan Hanks. Mr. Whatcott expressed appreciation to them for filling in the committee on all the important information gathered during the audit, and he said once again the staff has done extremely well. UHC received an unqualified opinion, which means a good bill of health. He commended Chad More, UHC Controller, Barbara Allred, Assistant Controller, and Cleon Butterfield, Senior Vice President and CFO, and all the other accounting staff involved in the audit and he expressed appreciation for the work both that UHC staff and Deloitte has done. He mentioned that there were some new rules and different ways of looking at how the financials could be reported, and that the entire team came to agreement on the presentation and the result is how everyone hoped it would be presented.

Cleon Butterfield reported that the past year has shown how things evolve, with new accounting standards as well as new areas to report on. He expressed appreciation to the accounting staff and noted that during the audit there were challenges due to three employees' lengthy absence for maternity, serious health issues and family deaths. Even with all those challenges the audit report came out as we hoped and the audit was completed on time.

Emma Gilchrist, representing Deloitte, commented that the audit was completed on time and successfully and with the help of the corporation's stellar team headed up by Cleon Butterfield

and Chad Moore, the financial statements and the related audit was clean. She noted that there was one finding of non-compliance but that the review of controls enabled Deloitte to issue their opinion with no deficiencies or material weaknesses. The single non-compliance problem was resolved by staff before year end and a single small adjustment is not worth mentioning.

Mr. Whitaker stated that Utah Housing has appreciated the high quality work, professionalism, and the good relationship with everyone from Deloitte who worked on the account. He noted that this was the fourth year the audit was done by Deloitte. New accounting rules and the different types of business that Utah Housing is engaged in have created different challenges, but that it was managed well by the staff and the financial reports were done well resulting in no adjustments or deficiencies. He concluded by saying that despite the new accounting rules, the interpretations by the entire team enabled Utah Housing to not adjust down the balance sheet regarding the accounting for the swaps. He acknowledged Mr. Butterfield, Mr. Moore, Barbara Allred and the entire staff of the Financial Services Department, stating that they did a stellar job getting everything ready for an on time report this year.

Mr. Cohen asked for a brief explanation of the one minor item mentioned earlier. Chad Moore said that the special report for the loan servicing noted that a non compliance occurred with respect to the timely return of escrow balances to borrowers on paid off loans. He described how staff set a command in the servicing system based on the documentation provided by the vendor that was supposed to prevent checks from being generated for insurance premiums and other expenses on loans being paid off. After entering the code, it not only stopped premium payments but also escrow disbursements as well. The documentation did not describe that this would result from the code entry.

Mr. Whitaker noted that it was UHC's staff who found the problem in a routine review, and problem was corrected before year-end and before the arrival of the auditors. It related to 115 loans out of a total of over 2100 loan payoffs. He also noted that the USAP report is not a mandatory audit report, but that Utah Housing management has decided the report has significant value to management and the Board even though it is not released to others.

Mr. DeFries then concluded that the audit reports are informational for the Board so there is no vote or approval required. He thanked Deloitte and the staff for the work and the excellent report.

The Chair called for the next agenda item.

3. Resolution 2013-20 Approving Master Participation Agreements of up to \$120,000,000

RESOLUTION NO. 2013-20

A RESOLUTION OF UTAH HOUSING CORPORATION ("UHC")
AUTHORIZING UHC TO ENTER INTO A MASTER PARTICIPATION
AGREEMENT OR AGREEMENTS WITH UBS BANK USA, CIT BANK, GE
CAPITAL BANK AND GE CAPITAL RETAIL BANK FOR THE SALE OF
AN UNDIVIDED PARTICIPATION INTEREST IN UP TO \$120,000,000

SINGLE FAMILY MORTGAGE LOANS; AUTHORIZING THE EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS REQUIRED IN CONNECTION THEREWITH AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND RELATED MATTERS.

Mr. DeFries began by introducing the recommendation and asked Mr. Whitaker to begin discussion. Mr. Whitaker stated that this is a discussion about another source of capital with which UHC will fund the mortgage loans that are purchased from about 35 different lending companies throughout the state. The transaction that is being requested to be approved is a master loan participation agreement with four separate banks, UBS Bank USA, CIT Bank, GE Capital Bank and GE Capital Retail Bank. UHC will do with them, transactions of \$30 million apiece, but will ask that this be approved as a single \$120 million transaction. The commitment runs for six months but is extendable.

Mr. Whitaker went on to say that the transaction is much like the UBS transaction that was approved by the Board at the December 2011 meeting for \$200 million and its extension about one year later and the transaction approved about one year ago with two American Express Banks along with another pool with those two entities earlier this year. From those commitments, UHC has so far committed \$207.6 million, and during the same time \$618 million for TBA pools. A major difference from the first UBS transaction and these later transactions is UHC will pay no upfront fee and each party will pay its own legal expenses.

UHC was active with UBS the first part of 2012 and with American Express during the middle part of 2013 when those were the better executions vs. taxable bonds or TBAs. During the last few months the TBA pools and taxable bonds have produced very high premiums or better present value earnings over time that made them better executions for UHC than the CRA pools. Approximately \$23 million Fannie Mae commitments have been done in the last several weeks for the new NoMI program launched in mid-August.

Mr. Whitaker continued by saying that for purposes of comparison, UHC had made loan purchases under our single family program so far this year of over \$436 million, already exceeding the total commitments in 2012, the all-time record calendar year. There are two months to go for this year. Reservations are running over \$2 million per day, which may put us over \$500 million for the year.

UHC has seen a huge demand for its products, demonstrating that it is meeting its mission. Among the CRA pools TBAs, taxable bonds and now the Fannie Mae program, UHC is able to meet every cent of that demand. Mr. Whitaker discussed that UHC does not hedge every commitment that it receives as they come in. A percentage of those are hedged because it is certain that there will be some fall out and to ensure that there is not a commitment made to deliver more than can be delivered.

Mr. Whitaker indicated further that since the announcement of the new NoMI program 48% has been for the First Home Program for first time homebuyers, 19% for HomeAgain Loans for the previous homeowners, 14% for the SCORE Loan program, for those with credit scores down to 620 and 20% for NoMI which has the lowest monthly payment because there is no mortgage insurance premium.

Mr. Whitaker went on to say that this resolution also authorizes the making of up to \$7.2 million in subordinate loans for the home buyers' down payments.

Mr. DeFries noted that the CRA pools from American Express had been used more often compared to the UBS pools. He asked what is the probability the new 4 party pools would be used.

Mr. Whitaker responded that the pricing from American Express is better than the pricing offered by either UBS or by the new 4 party transaction. If the CRA pool executions are better than the TBA transactions that have recently had relatively high premiums, UHC will likely utilize the better priced American Express pools first before using either UBS or the 4 party pools. Because the pricing on this new pool is not as favorable, UHC did not want to pay any upfront fees or the legal costs of the banks.

Mr. Little asked if the outstanding transactions have a specific period of time to run.

Mr. Whitaker responded that the transactions with UBS and the two American Express banks run through the end of 2013 and the new 4 party pool runs for 6 months. Each may be extended if they are not fully utilized. He pointed out that the use of these pools is optional, and there is no penalty if UHC finds it cannot use them while other sources of capital provide more economic benefits to either UHC or the home buyers.

Mr. DeFries then asked if there were any additional comments or discussion from the Board. Following any additional discussion, the subsequent motion was made:

MOTION: APPROVE RESOLUTION 2013-20 AUTHORIZING UHC TO ENTER INTO A MASTER PARTICIPATION AGREEMENT OR AGREEMENTS WITH UBS BANK USA, CIT BANK, GE CAPITAL BANK AND GE CAPITAL RETAIL BANK FOR THE SALE OF AN UNDIVIDED PARTICIPATION INTEREST IN UP TO \$120,000,000 AND AUTHORIZING THE PURCHASE OF SUBORDINATE LOANS UP TO \$7,200,000

Made by: Kay Ashton
Seconded by: Lerron little

Mr. DeFries asked for disclosures of potential conflicts before the vote was taken. Each Trustee was called on and they responded as follows:

Douglas DeFries

Yes, as filed with UHC.

Kay Ashton	Yes, as filed with UHC.
Mark Cohen	Yes, as filed with UHC.
Lucy Delgadillo	No interest to disclose.
Richard Ellis	No interest to disclose.
Lerron Little	Yes, as filed with UHC.
Jon Pierpont	No interest to disclose
Robert Whatcott	No interest to disclose.

The President confirmed that each of those Trustees who so indicated such interest had a Disclosure of Potential Interest statement on file with Utah Housing, that it includes current pertinent information regarding his or her potential interests and that those statements are available for inspection and would be incorporated into the minutes by reference.

Mr. DeFries called for a vote in this matter:

Vote:	Approved Unanimously Among Those Who Voted *
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* Mr. Leary had recused himself during the discussion and abstained from voting stating he has a potential conflict as Commissioner over the financial institutions involved.

The Chair called for the next agenda item.

Other items of Business

Mr. Butterfield reviewed the income statement, administrative budget and the mortgage loan activity reports.

Mr. Hanks reviewed the delinquency reports. He noted that UHC has recently begun a new email campaign to borrowers who are late in making their monthly payments, and that seems to be reducing delinquencies. He also noted the HUD Home Affordable Mortgage Program or “HAMP” requires UHC to keep loans that are delinquent on our books for a longer period while the borrowers try to utilize the relief offered to them or HUD makes its payment to Utah Housing. That will cause the delinquency rates to be higher than they would otherwise be. He also called attention to the separate report for delinquent loans from our bond issues. They tend to run considerably higher because the borrowers who have not refinanced their higher rate loans are those who likely have credit or other issues that prevent them from refinancing, leaving those loans on the books.

Mr. Whitaker then gave the Trustees an update on two matters of litigation.

A motion was made by Lucy Delgadillo to adjourn the meeting.

There being no further business, the meeting was adjourned by the Chair.